

The Billionaire Behind Efforts to Kill the U.S. Postal Service

By Lisa Graves/True North Research for In the Public Interest

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About Lisa Graves



Lisa Graves is the Executive Director of True North and its editor-in-chief.

She has spearheaded several major breakthrough investigations into those distorting American democracy and public policy.

Her research and analysis have been cited by every major paper in the country, and featured in critically acclaimed books and documentaries including Ava DuVernay's "The 13th."

She has appeared frequently on MSNBC as a guest on Last Word with Lawrence O'Donnell as well as on other MSNBC shows. She has also served as a guest expert on CNN, ABC, NBC, CBS, CNBC, BBC, C-SPAN, Amy Goodman's Democracy Now!, the Laura Flanders Show, and other news shows.

She's written for the New York Times, Slate, TIME, the Nation, In These Times, the Progressive, PRWatch, Common Dreams, Yes!, and other outlets.

Her research is cited in major books such as Dark Money by Jane Mayer, Give Us the Ballot by Ari Berman, Corporate Citizen by Ciara Torres-Spelliscy, The Fall of Wisconsin by Dan Kaufman, and others.

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About BOLD ReThink



BOLD ReThink is a new collaborative effort that includes True North Research, In the

Public Interest, the Science and Environmental Health Network, and other allies.

This initiative works to expose the radical right-wing agenda to undermine public faith in democratic government and to lift up bold ideas that champion a robust democracy that assures the health and well-being of the American people and our planet.



















We would also like to thank Terry Lutz for designing this report. Cover photo by Bastiaan Slabbers.

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Executive Summary

The COVID-19 pandemic has pushed the already-struggling U.S. Postal Service to the brink of financial collapse. But the most trusted and popular institution in America hasn't been struggling by accident. Since the 1970s, a concerted effort to popularize the fringe idea of privatizing the Postal Service has been advanced for nearly five decades with the support of one man: the billionaire and libertarian ideologue, **Charles Koch**, chairman and chief executive officer of **Koch Industries**. This brief traces Koch's connections, influence, and ideological push to weaken and ultimately privatize one of America's most essential public services—and, along with it, the jobs of hundreds of thousands of public servants.

Timeline

Congress passes Postal Reorganization Act and affirms the necessity of universal mail services as a public good	1970	 Charles Koch starts supporting <i>Reason</i> magazine with Robert Poole at the helm
 Charles Koch becomes biggest funder of the Libertarian Party	1976	 Abolishing the U.S. Postal Service is added to the Libertarian Party platform
	1980	David Koch runs for Vice President on the Libertarian Party platform
Charles Koch's right-hand man Richard Fink is appointed to Reagan's privatization commission, which urges Postal Service privatization	1987	
  	1988	James Miller , then director of the Reagan Office of Management and Budget (OMB), writes pro-privatization paper in the <i>Cato Journal</i> "It's Time to Free the Mails"
James Miller , then director of Charles Koch's Citizens for a Sound Economy, helps advance book on privatizing the Postal Service	2001	 
	2002	Postal Service transformation proposal issued by President George W. Bush's appointee for postmaster general mentions privatization 156 times
James Miller approved to the Postal Service's Board of Governors by Senate committee chaired by Senator Susan Collins (R-ME)	2003	 
  Postal Accountability and Enhancement Act (PAEA), which saddles the Postal Service with unprecedented debt, is passed after being pushed by James Miller with help of Sen. Susan Collins	2006	James Miller named Chairman of Postal Service's Board of Governors 
	2009	ALEC begins pushing bill to require military service member ballots be carried by for-profit corporations
Charles Koch's Americans for Prosperity singles out Senators for special pressure to vote against the HEROES Act and specifically opposes any funds to prevent Postal Service bankruptcy	2020	

Introduction

The U.S. Postal Service is on the brink of collapse—unless Senator Mitch McConnell allows the U.S. Senate to approve emergency funding, and President Donald Trump **signs the HEROES Act** or its **key components** into law.

Letting the Postal Service collapse, even partially, would unleash a tsunami of damage on Americans and our way of life.



The federal agency plays a crucial role in U.S. supply chains, commerce, and basic communication—which email simply cannot replace—by processing and delivering nearly **500 million pieces of mail** on an average day. That includes checks, medicines, and other letters and packages delivered to the biggest cities and smallest towns. The agency even helps for-profit corporations like UPS stay profitable because its promise of universal delivery is a public good delivered everywhere equally at the same rate, including Americans living in hard to reach places.

The Postal Service is also vital to people **receiving ballots and getting their votes counted**, as Tammy Patrick of the Democracy Fund told NPR in May. The agency took extraordinary steps to protect the right to vote after a natural disaster in 2005, helping to “bind the nation together when it allowed residents of New Orleans to elect a mayor even though they themselves had been dislocated from the city by **Hurricane Katrina**.”

During the deadly COVID-19 pandemic, the Postal Service’s public servants have been ubiquitous and resilient “**essential workers**.” They have risked their lives to get needed supplies—including ballots—to their neighbors sheltering in place. So far, **more than 60** people who work for the Postal Service have died from the disease.

The Postal Service is **the second largest civilian employer in the U.S.**, with nearly 500,000 workers. These are good “middle class” jobs with good benefits—especially compared to the biggest civilian employer, Walmart, which is subsidized to the tune of **more than \$6 billion a year** in public assistance.

Post offices are also richly diverse. “African-Americans make up about 20 percent of U.S. Postal Service workers—and are the majority in some urban centers, representing 75 percent to 80 percent of the 5,000 letter carriers in the Chicago area,” according to *Reuters*. The jobs provide economic stability for hundreds of thousands of Americans of all backgrounds, including nearly 100,000 military veterans. They, their families, and the entire American community depend on the public services they provide, come rain or come shine and despite the ubiquity of email.

The Postal Service is also the **most popular institution in America**. The American people have enormous faith in this government agency: “[m]ore Americans trust the U.S. Postal Service than any other brand.” That is true across all ages and against huge corporate brands. For decades, both political conservatives and progressives have defended the agency.

As historian Christopher W. Shaw, author of “Preserving The People’s Post Office,” wrote in a **recent article** published by *The American Conservative*, “[C]onservative opponents of privatization recognize that not only is the Postal Service enshrined in the Constitution, this government agency supports national security, sustains local communities, assists small businesses, and fosters national unity.”

So, how did we get to the point where the people who represent us in Washington, D.C., are willing to kill the most trusted and popular institution in America?

One man, **Charles Koch**, has played a singular role.

The libertarian ideologue and Koch Industries chairman and chief executive officer has used his vast fortune to fertilize ideas that were once at the far fringes of society—like abolishing the Postal Service. As Jane Mayer detailed in her landmark book, “**Dark Money**,” Koch has cultivated others to push those views and amplified those voices through an unparalleled echo chamber of special interest groups that he has grown.

The truth is that one of the richest men in the world—as documented in Christopher Leonard’s “**Kochland**”—has been helping to fund efforts to kill the post office since the 1970s, although few Americans know that this extreme agenda has long been part of his free-market fundamentalism.

Here are three branches of Koch’s deep roots in the decades-long effort to kill the Postal Service as a public institution, starting with the most recent.

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1 | **Charles Koch’s Powerful Political Arm Is Actively Opposing Emergency Funds for the U.S. Postal Service**

Charles Koch’s special interest group, Americans for Prosperity (AFP), has been **pressuring Congress to vote “NO”** on H.R. 6800, the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, while expressly opposing any effort to “bail out the Postal Service.”

AFP also singled out 12 senators, nine of whom are running for re-election this year, with special pressure to vote against that bill. It is running digital ads to gin up calls from people in their home states. The group also told senators it will “score” their vote on the bill, another form of pressure to kill the post office, as the agency would receive \$25 billion under the act, which the Service says will help prevent bankruptcy.



Koch Policy and Politics

AFP is no ordinary lobbying group. This part of Koch’s political network is his grassroots army, which operates like a shadow Republican Party in getting out the vote and running digital and TV ads.

Earlier this year, AFP **told CNN** that it “intends to launch its widest election effort in 2020 and could engage in nearly 200 federal and state races this year.” AFP also has a political action

committee (PAC), as does Koch Industries. These are just a few components of Koch's political empire, which also deploys front groups.

Although Koch has used his PR team to try to distance himself from Trump, the reality is that the Koch network's 2016 spending in swing states and Senate races **helped buoy Trump** in his bid for the White House. Koch's efforts also helped ensure that Sen. Mitch McConnell (R-KY), a key Koch ally, remained the Republican leader of the Senate. From this position, he's **helped Koch reshape the U.S. Supreme Court** and **the federal judiciary**, stop a carbon tax, and thwart efforts to mitigate climate change and regulate industry in myriad ways.

AFP's latest attack on the Postal Service is part of Koch's ongoing efforts to weaken the funding and capacity of our government. Koch's network spent millions to win what Koch himself touted as a "**once-in-a-generation opportunity**" to cut taxes, the 2017 Tax Cuts and Jobs Act, which AFP **helped push through** and which further enriched Koch and his friends. Koch has also given millions to political campaigns, PACs, and other groups.

For those who've been keeping score at home: To Koch, even though the Postal Service is vital to more than 300 million of his fellow Americans, helping the agency survive with \$25 billion in aid should not be allowed. But tax cuts to benefit himself and his billionaire friends—which cost America **more than \$2.3 trillion**—was a top priority for his political machine.

AFP is not alone among Koch groups in trying to destroy the Postal Service. Other major Koch-funded groups, such as the **Heritage Foundation**, the **Cato Institute**, and the **Mercatus Center** at George Mason University have also supported privatization.

Even the Koch-funded American Legislative Exchange Council (ALEC), which focuses on state legislation, has tried to weaken the Postal Service. For years it has pushed a bill to **require that ballots from military service members** be carried not by the Postal Service but by for-profit shipping companies, and it is funded by two of the biggest: FedEx and UPS. It has also long pushed for the future **health care benefits** of retired state government workers to be slashed or **prefunded**, like the Postal Service. It has pushed no bills to require private companies to do the same.



2 | James C. Miller III, a Key Leader of Koch's Political Arm, Helped Spearhead the Root Causes of the Postal Service's Financial Crisis

The Postal Service has lost revenue since COVID-19 started spreading exponentially in the U.S., with its revenues down more than 30 percent as many businesses have closed or reduced operations. But the real reason for its financial crisis is not only the pandemic.

The agency would be in a much stronger financial position had Congress not passed the Postal Accountability and Enhancement Act (PAEA) in 2006, which **"requires the Postal Service, which receives no taxpayer subsidies, to prefund its retirees' health benefits**



up to the year 2056," on a 50-year basis. (John Oliver's Last Week Tonight did an **in-depth show** on this manufactured crisis earlier this year.)

According to the Institute for Policy Studies (IPS) in 2019: **"If the costs of this retiree health care mandate were removed from the USPS financial statements, the Post Office would have reported operating profits in each of the last six years."**

"[N]o other entity, private or public, has to make" such provision for future health benefits of current and future retirees so far in advance. Private companies also can change their health benefits without an act of Congress, unlike the Postal Service. "Current reserves of \$47.5 billion could be used to pay expected pay-as-you-go retiree health care costs **10-15 years** into the future," IPS noted.

The 2006 law also bars the Postal Service from obtaining other revenue by providing "nonpostal services," such as offering banking services or opening cafes at post offices. And it also limits the ability of the Postal Service to raise rates beyond the rate of inflation.

Who championed the bill that imposed this unprecedented financial burden on the Postal Service? Another Koch man, James C. Miller III.

Who Is James C. Miller III?

Miller has deep ties to Charles Koch's political and policy operations. He's been one of five members of the Board of Directors of Koch's *Americans for Prosperity*, and its predecessor, *Citizens for a Sound Economy*. He's been in *that key role* for *32 years*, alongside other Charles Koch insiders and advisors—as well as David Koch, until that Koch brother passed away last year.



Miller got his Ph.D. from the University of Virginia and was mentored by James Buchanan, the subject of Nancy MacLean's landmark book about Charles Koch's efforts to create cadres of free market fundamentalists putting "*Democracy in Chains*" through limiting the power of people to regulate corporations. Miller *signed off* on the Reagan Administration's plan to count ketchup as a vegetable in student lunches, on behalf of Office of Management and Budget in 1981.

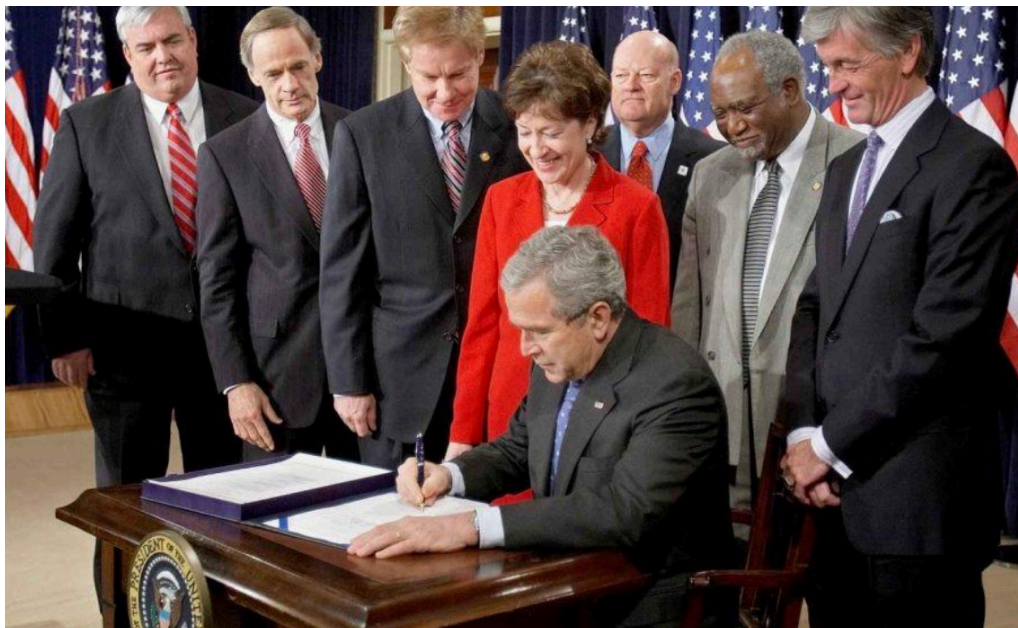
In fact, Miller's leadership post at OMB was created by Reagan to impose a new government mission: "*regulating the regulators.*" It was Miller who co-authored Executive Order 12291, Reagan's mandate of "*cost-benefit analysis*" (CBA), which gave Miller expanded authority to block or approve proposed rules. One of the first controversies that ensued was the rollback of rules to protect Americans working in cotton textile mills from "*brown lung*" disease.

Miller weakened President Lyndon Johnson's Executive Order 12246, which *required federal contractors to comply* with affirmative action and keep statistics about hiring, firing, and promotion practices. He also helped *weaken rules on pollution* by diesel-fueled trucks. He also changed the definition of "deception," when he led the Federal Trade Commission, which state Attorneys General said made it harder to protect the American people from deceptive practices by corporations. His Federal Trade Commission also *delayed or stopped the recall* of numerous dangerous corporate products from defective deep water "survival suits" to kid-crushing reclining chairs. He also dropped investigations of collusion in pricing by oil, auto, and cereal companies. When he later became the director of OMB, he helped negotiate the Gramm-Rudman-Hollings Act, which attempted to impose harsh limits on the federal budget.

The Real Backstory of Undermining the Postal Service

In 2006, Miller was advising Koch's newly renamed Americans for Prosperity when he became the Chairman of the Board of Governors of the Postal Service. That's the year Congress enacted the PAEA. Former Congressman Tom Davis (R-VA) said the idea to add the **pre-funding requirement came not** from Congress but from the White House, supposedly to get a good score on the cost of the bill from the Congressional Budget Office.

Miller and others celebrated with President George W. Bush **when he signed the measure** into law, standing with Senator Susan Collins (R-ME) and other lawmakers looking over his shoulder.



In 2005, the year before the PAEA was passed, the Postal Service reported nearly \$1 billion in profit. Two years later—after the PAEA required it to transfer a \$17.1 billion surplus into the new 50-year fund plus \$5 billion per year—the agency was in the red. Meanwhile, two of its rivals, FedEx and UPS, which charge customers exponentially more for even small packages, had **comparable revenue but profited** without the heavy burden of the PAEA.

And this was on top of the fact that when the GOP took over the Senate during President Bush's first term Congress "shifted the costs of postal employees' military service-related pension costs from the U.S. Treasury to the USPS—a **\$27 billion** obligation." In the span of three years, 2003-2006, the GOP saddled the Postal Service with tens of billions of debt.

How could this happen? The PAEA's massive debt load-up was passed by Congress without a recorded vote by name. It was not billed as that but was sold as a way to help the Postal Service "modernize" mail processing. Who was at the helm of the ship? Senator Susan Collins.

Collins chaired the Senate Committee on Governmental Affairs, which approved the “reform” bill in 2006. She also **chaired the hearing** and committee that approved Miller’s nomination to the Postal Service’s Board of Governors in 2003. It was Collins who moved Miller’s nomination forward even though she knew he had **expressly called for the privatization** of the very agency he would be governing. Here is their exchange at the hearing:

“Chairman Collins: *Mr. Miller, many years ago you expressed the view that perhaps the private express statutes of the Postal Service, the monopoly, should be repealed. You also spoke in favor of deregulating some of the Postal Service and allowing private companies to compete in delivery of mail. Is that still your view?*

Mr. Miller: *If I have the same information, the same studies, same data, same analysis that I looked at before, that would exactly be my view. I think anytime you take on a new responsibility you owe it to yourself or whomever appointed you to that or are responsible for putting you there, to give it your best shot, to take a new look at things. I will take a new look at things and I will give you my best judgment.”*

In 2006, the year Collins helped Miller (then the Chair of the Board of Governors) pass the PAEA, **one of her five largest donors** was one of the five biggest shipping firms, UPS.

Miller used his Senate-confirmed post to help drive the Postal Service toward his dream of privatization. As leader of the Board of Governors, Miller was responsible for fiscal oversight of the Postal Service. He had to know that an agency with a net income of nearly \$1 billion the year before would not be able to absorb a new \$5 billion expense per year without going bankrupt—even if some members of Congress did not understand that or read through to page A-2 of Miller’s **“Strategic Transformation Plan,”** where revenues were listed.

That plan only mentioned the word “privatization” once, and that was in a footnote to say that very few stakeholders wanted either privatization or the closing of post offices. However, the pre-cursor to Miller’s proposal to weigh down the Postal Service with extraordinary debt was that getting future health liabilities fully funded would make the agency more attractive to private investors. This plan was not masked in the initial “transformation” proposal issued by President George W. Bush’s appointee for Postmaster General, John E. “Jack” Potter.

Who is Jack Potter?



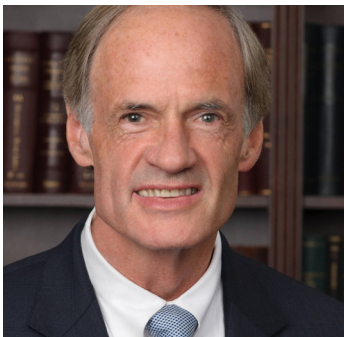
*Jack Potter—with an MBA from MIT and an **economics degree** from **Fordham University**, whose business programs were led by a **disciple of Koch’s beloved Ludwig von Mises**—parlayed his role at the Postal Service into becoming a CEO now paid **more than \$450,000 a year** by one of the first entities privatized by President Reagan, the **Metropolitan Washington Airports Authority**. It had **revenues of more than \$963 million** and **net income of a quarter billion dollars last year, funds that would have been the public’s prior to 1987** when the Reagan administration gave it a 50-year lease for Washington National Airport, Dulles International Airport, and 13,000+ acres.*

That 500+ page proposal to “transform” the Postal Service detailed various paths to privatizing America’s postal system—even though it admitted that there “is no clear mandate for full privatization of the Postal Service.” It mentioned privatization **156 times**. It recognized that “retirement and health benefit liabilities” were rising costs. It noted that “[p]rivatization is not a viable option at this time [because] [w]hile the assets of the Postal Service are great, so are future retirement liabilities.” It also stated that potential retirement related liabilities would adversely affect the “valuation” of the Postal Service for an IPO (initial public offering, that is, in a sale to wealthy stockholders) or “commercialization.”

The proposal also said that “privatization would be more timely” after the Postal Service “honed” its finances—even though the American people have “strong opposition to privatization.” That report concluded that a major “private sector concern” would be to “leave all liabilities with government.”

That’s what the 2006 PAEA was setting the stage for: a legally mandated form of “disaster capitalism,” a term that would be described by Naomi Klein the following year in her book **“The Shock Doctrine.”**

Senator Tom Carper (D-DE)



Sen. Carper later spearheaded a congressional effort in 2009 to provide some relief to the Postal Service “to restructure the aggressive retiree health prefunding schedule that was imposed on it in 2006,” although much damage to the agency was already done by reallocating its reserve and taking so much cash out of its revenue. As Senator Carper noted: “That schedule has the Postal Service making enormous payments of more than \$5 billion per year through 2016 to prefund its future health obligations to its retirees. This is on top of regular payments of \$2 billion or more for current retirees’ premiums. The combination will be enough to sink many businesses . . .” However, the reform only allowed the Postal Service to temporarily reduce the payments to \$1.4 billion a year and requires it to repay those deferred billions in payments as of 2016 or put them on its balance sheet—adding to its debt and making it look insolvent.

The reality is that Miller had been advancing a kind of manufactured shock doctrine on the Postal Service long before Klein popularized the term. At the 2014 **hearing on his nomination to a second term** on the Board of Governors, he echoed Klein in saying **“the stress of the Postal Service brings forth opportunities.”** He said he wanted the job because he had “unfinished business” with the Postal Service. Miller also thanked Senator McConnell for **recommending his nomination** to President Obama (who nominated Miller as part of a **bipartisan slate to break a logjam** by McConnell, then the Senate Minority Leader, in confirmations to the Board.)

Miller also said:

“I think it would be best for the world, for the economy, and for the American people if the Postal Service was de-monopolized and privatized.”

Miller's Effort to Kill the Public's Postal Service Goes Back Decades

Long before Miller had an official role governing the Postal Service, privatizing the agency was part of his extreme ideological agenda.

For example, in 2001, Miller—as a director of Koch's Citizens for a Sound Economy—chaired discussions at the Koch-founded Cato Institute pushing privatization. That became the book: "Mail at the Millennium: Will the Postal Service Go Private?" In 1990, as Chairman of the Board of Koch's Citizens for a Sound Economy, he gave a presentation at Cato titled "**The Future of the Postal Service: Continued Rate Increases or Competition?**" He told *Reason* magazine in 1989 when he was a "counselor" to Koch's Citizens for a Sound Economy that: "*We ought to privatize the U.S. Postal Service. There is no reason why the Postal Service should remain part of the federal government. The constitution of the United States authorizes, but does not mandate, that there be a U.S. postal service.*"

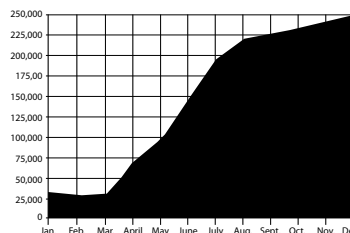
In July 1988, as the director of OMB, Miller headlined an event for Cato titled "Privatization and the Postal Monopoly." Inside that event at the luxurious Willard Hotel, Miller urged competition by the private sector for first class mail and **repeal of what is known as the "private express" statutes**. The American Postal Workers Union (APWU) picketed outside.

Miller also used his leadership at OMB to staff Reagan's Commission on Privatization, which in turn recommended privatizing the Postal Service. In 1985, when Reagan nominated him to be the director of OMB, the APWU, the National Association of Letter Carriers (NALC), and the National Association of Postmasters all **opposed his confirmation** based on his support for privatization.

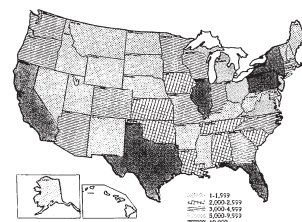
It was Koch's Citizens for a Sound Economy that **helped him get confirmed** over the serious objections that unions and others like the Leadership Conference on Civil and Human Rights **were raising** about his nomination.

Koch's right-hand man, Richard Fink, the head of Citizens for a Sound Economy, **testified at the hearing** in favor of Miller's nomination to lead OMB. After the Senate **confirmed** him, Citizens for a Sound Economy "sponsored" a White House briefing where Miller spoke with Charles Koch and "**expressed keen interest**" in Citizens for a Sound Economy.

At that time, Citizens for a Sound Economy was **urging** the Reagan administration to **implement its recommendations** for expanding the impact of the Grace Commission beyond privatizing Conrail, the government's freight railroads—which Koch's group took credit for. Citizens for a Sound Economy was also pushing to privatize Washington, D.C.'s two public-owned airports (National and Dulles), the Veterans Administration, the Postal Service, and more.



CSE's membership growth following its 1985 membership campaign.



CSE membership by state.

When Reagan **announced the creation** of the Commission on Privatization in 1987, he **appointed Fink to be** one of the few commissioners on it. Within the administration, Miller appointed Ronald Utt to be the first **director of privatization** at OMB as part of that effort.

The Commission made its recommendations in 1988. Utt **noted**: “With the full support of President Ronald Reagan, we proposed a bold agenda that included the privatization of federal lands, Coast Guard rescue responsibilities, adjudication of federal tax disputes, the U.S. Postal Service, the Naval Petroleum Reserves, the U.S. Helium Reserves, the uranium enrichment program, and many others.” They also **recommended** the privatization of prisons and public schools.

As head of OMB, Miller campaigned for privatizing the Postal Service in particular. In 1988, as the commission was promoting its recommendations, he wrote a piece for the Cato Institute titled, “**It’s Time to Free the Mails.**” Miller **wrote**: “There is no good reason why [the Postal Service] should remain part of the U.S. Government, and no good reason why it should enjoy a monopoly over the delivery of letter mail—any more than a single company should enjoy a monopoly....”

As detailed above, Miller was not alone in trying to use the Reagan administration to privatize the Postal Service. Koch’s main political operative, Fink, was advancing that agenda from the outside (as was Cato and the Heritage Foundation, which also received Koch funding). Near the end of Reagan’s second term, **Fink welcomed Miller** as a new **leader of Citizens for a Sound Economy**. The Koch-funded George Mason Center for the Study of Public Choice, run by James Buchanan, also offered Miller a job. For a number of years, Miller was called a “John M. Olin Fellow” in both posts.

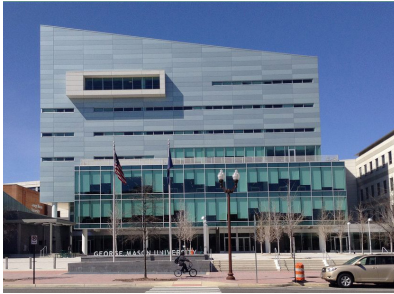
Who is Richard Fink?



*Charles Koch and Richard Fink go back forty years. Fink **recently retired** as vice president of Koch Industries where for decades he had held a seat on the board of the second largest privately controlled corporation in the U.S. Koch has been the CEO of the family business for more than 50 years.*

*Fink began his career of political influence as an economics professor at Rutgers University and then George Mason University, where he helped launch what became the Mercatus Center with Koch to help operationalize his agenda through training a “**cadre**” to influence national policymakers in D.C.*

*In 1979, Koch created a group called Council for a Competitive Economy and Fink testified before the House Subcommittee on Postal Operations and Services **calling for Congress to repeal the government “monopoly” on first class mail.** In 1984, Charles Koch staked Fink at the successor to that group, dubbed Citizens for a Sound Economy (which is now called Americans for Prosperity), as a vehicle to influence the Reagan administration to advance Koch’s goals on privatization and other libertarian theories.*



Mercatus Center at George Mason University

Although Koch had largely abandoned the Libertarian Party around this time in favor of trying to move the GOP toward his wide-reaching agenda, he did not abandon his policy goals. His agenda was to seek radical changes to limit the power of democratic government, using large steps and small steps to carve or chip away at it through any means available. (ITPI Executive Director, Donald Cohen, has documented how **privatization as an economic strategy has grown into a political strategy.**)

Fink was also the Director of the Koch-funded and -created Center for the Study of Market Processes at George Mason University, which started in 1980. It is **now known as the Mercatus Center.** Koch began funding his pet projects at that little-known public school in the D.C. suburbs four decades ago. To date, more than **\$100 million** has come from the Koch fortune to the university, its law school, and other entities associated with the campus, like Koch's Institute for Humane Studies.

In the 1970s, Koch had focused his energies on **building up the Libertarian Party** (founded by another MIT grad, David Nolan, who joined the fraternity the Kochs had) and creating his own foundation, which became the Cato Institute. Back then, Cato operated almost as an adjunct to the Libertarian Party, with key staff like Ed Crane revolving between the two entities depending on the election season. Cato also advanced Koch's privatization ideology and **continues to do so** to this day, attacking the Postal Service in numerous ways.

With Koch also becoming the biggest funder of the Libertarian Party in 1976, **its platform** expanded to include a host of items aligned with Koch's agenda. For the first time that year its platform provided: "We propose the abolition of the governmental Postal Service. . . . Pending abolition, we call for an end to the monopoly system and for allowing free private competition in all aspects of postal service."



That was also in the party's **1980 platform.** That's the year David Koch ran for vice president and spent more than \$2 million to fund the party's bid for the White House and to pull Reagan to the right. Although it garnered less than 1 percent of the vote, the Libertarian Party's sentiments were embraced by Reagan in many ways, such as his famous line at his inauguration that "government is not the solution to our problem, government is the problem."

Reagan created the Grace Commission, using the phrase "**drain the swamp**," to deputize corporate leaders to identify government functions that could be outsourced or sold off to the private sector. Fink along with Citizens for a Sound Economy **used the Grace Commission's efforts** to press for wide privatization. That Commission expressly recommended that the Postal Service outsource thousands of post offices (primarily rural ones) to the private sector to operate as limited service contract stations. That would have been a major step toward privatization, in the early 1980s, while yet another Koch man was pushing to privatize public institutions and functions at all levels of government, at home and abroad.

3 | Another Koch Operative Pioneered Privatization via Reason Magazine

The Postal Service was not always the target for privatization or the equivalent by GOP-aligned policymakers. That agenda took hold in the 1980s. But the seed was planted a decade before that.

In 1968, the libertarian *Reason* magazine published one of the first articles in the country asking “**Why Not a Laissez Faire Postal System?**” *Reason* embraced the radical idea of getting rid of this public institution as part of its devotion to the libertarian theory that the free market knows



Reason magazine, 1968

best and can do best. This is rooted in part in Friedrich Hayek’s “Constitution of Liberty” (1960) and Milton Friedman’s “Capitalism and Freedom” (1962), two economists Koch has heavily promoted over the years.

This line of attack on the Postal Service was very much against the tide of strong bipartisan public support for the post office. In 1970, Congress reaffirmed that the Postal Service was an essential public institution and public service. Congress also limited its ability to close post offices, particularly in rural areas, even as the Postal Service changed in 1970 from a cabinet position to a government-owned corporation. (Federal Express [now FedEx] was launched in 1971 to provide private courier services for a premium.)

In 1970, Congress **affirmed** that: “The United States Postal Service shall be operated as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by Act of Congress, and supported by the people.” Congress also said the Service’s mission is “to bind the Nation together through the personal, educational, literary, and business correspondence of the people. It shall provide prompt, reliable, and efficient services to patrons in all areas and shall render postal services to all communities.”

In 1970, MIT engineer Robert Poole bought *Reason* and, with Tibor Machan and Manny Klausner, began operating it as a for-profit under the rubric Reason Enterprises. Reason needed ad revenues to survive, and it turns out Koch supplied a substantial portion of them along with loans. It was Koch who staked Poole at the fledgling *Reason* in the early 1970s. In Poole’s history of the magazine marking its 10th anniversary in 1978, **he thanked Koch**, writing: “In the first few years of *Reason*’s California existence, one of its important sources of security was the long-term commitment of advertising by the Institute for Humane Studies and the Center for Independent Education. Ken Templeton, George Pearson, and Charles Koch of those institutions have been loyal friends and supporters over the years.”

Koch himself founded the Center for Independent Education with Pearson in 1970, and then took over the Institute for Humane Studies after F.A. “Baldy” Harper died in 1973. In his tribute, Poole also singled out Koch as among a handful of individual donors who personally supported *Reason* in its first decade.

Who is Robert Poole?



Privatization was not even a gimmick let alone a word in the dictionary until a business writer named Peter Drucker predicted “reprivatization” of public functions in Europe in the late 1960s. Robert W. Poole Jr., an MIT engineer and fan of Ayn Rand, took it a step further in 1980 by popularizing the term “privatization.”

After Robert Poole took over *Reason* magazine, Koch and his personal assistant, George Pearson, submitted articles to the magazine from its early days. In 1978, after consulting with Charles Koch, Poole

co-founded the Reason Foundation, serving as its president and CEO from then until 2000. He has advised the Reagan, George H.W. Bush, Clinton, and George W. Bush administrations on privatization and transportation policy.

“I had several visits ... to discuss specific ideas the Reagan administration was considering, such as devolving federal functions to state and local government and privatizing the Postal Service.

A Think Tank for Liberty (2018), p. 135.

With Koch’s investment in Poole and *Reason* as his platform, Poole became the national expert on privatization. However—as Mark Ames noted in his profile of how Poole’s fee-based government helped spawn unjust municipalities like Ferguson, Missouri—Poole may have popularized the term but **it was Nazi Germany that had coined the word “privatization.”**

Koch and Poole were aligned in other ways, with both of these MIT-trained engineers seeking to systematically inculcate people with libertarian theories and get those true believers into power. Poole described this goal in his 1971 essay “**Leverage Points for Social Change**” where he promoted the “permeation” of libertarians into key policy positions, noting that they only accounted for at most 0.05 percent of the U.S. population. Koch would later note that permeation, or, in his words, “**infiltration**,” of government would only be successful if the libertarians who got in “reduce[d] government,” unlike Friedman whom Koch said did not.

To help mark *Reason*’s 10th anniversary, Koch also **engaged in a colloquy** with Poole and others, about the “**radical**” nature of their theories and the need to attract followers.

Koch **noted**: “For example, with Social Security, we can be very radical and say, ‘Abolish Social Security’ ... Or we can say, ‘Well, it’s very complicated, and therefore we have to one-percent-a-year move out of Social Security.’” That issue of the magazine also reprised one of the attacks on the Postal Service’s “first class mail monopoly.”

As Poole recently wrote: “From January 1971 through June 1978 we published every month, like clockwork, but by 1977 it was clear that for *Reason* to have serious impact, we needed full-time paid staff and a serious budget for growth. Tibor, Manny, and I developed the plan for what became the Reason Foundation. Thanks to an **angel investor**, we had enough funds to make the transition, and we opened our doors in downtown Santa Barbara in July 1978.”

Thanks to research by Nancy MacLean in her book “*Democracy in Chains*,” we now know who that investor was. None other than Charles Koch—whom Poole didn’t mention in that 2016 retrospective; by that by the time the Koch name had become infamous.

"On the tenth anniversary of *Reason*, in 1978, Poole **convened a strategy session**. Every man in the room looked to Charles Koch when talk turned to funding an infrastructure of 'professional libertarians,' for who else could? The Wichita CEO was willing to commit the resources needed, he said, but with one condition: 'that libertarians must remain uncompromisingly radical.' They had to forswear "the temptation" to "compromise" with those currently in positions of power. Any such conciliation, Koch warned, would 'destroy the movement.' With Koch's backing, Poole 'started working full-time for the cause,' enlisting 'economic reasoning and evidence.'"

It was that meeting that led to the creation of the Reason Foundation, with Poole at the helm. The foundation became the publisher of the magazine and its own "think tank." In 1979, Reason Foundation **started full-scale operations** and Poole devoted time to his opus on privatization, a book that melded his prior consulting work with the mission of Reason magazine. That book, "**Cutting Back City Hall**," was published in 1980. Poole's "catalytic" work on privatization helped spur more calls to **privatize an array of public functions, including public schools**.

In his acknowledgements, Poole thanked "the Reason Foundation for allowing me to use their facilities during much of the time this book was in preparation." But that sentence elided the reality, which was that Poole was the Reason Foundation and Koch was the angel investor in that enterprise to radically change American government.

Poole's book also contained a forward by **William E. Simon, president of the John M. Olin Foundation**, which had begun funding chairs for "free market" professors at universities across the country. Simon suggested that municipal fire departments and tennis courts were "a form of local socialism." Simon noted that Poole's objective "is truly to subvert" local government functions by replacing them with private businesses, and he expressed the hope that it would "serve as a wellspring for changes that reach state and federal government as well."

Poole's Koch-backed strategy and tactics would also reach governments beyond these shores, far exceeding Simon's wishes. According to a biographer of United Kingdom Prime Minister Margaret Thatcher, Poole's book was **seminal to her efforts** to privatize or contract out key public functions—except that she refused to privatize the Royal Mail:

"The intellectual case for 'contracting out' came from an American MIT-trained policy wonk, Bob Poole, head of the Reason Foundation in Santa Barbara and author of a little book called 'Cutting Back on City Hall'... Everything—literally everything—could be outsourced and he littered his book with examples and figures..."

Twenty-five years later, Thatcher would join Poole in celebrating privatization at the 20th anniversary of Reason's **Annual Privatization Report**." That annual report was launched a few years after Poole's book. Reason's 1986 "report on the status of privatization to date and important developments of that year ... garnered enough attention from policymakers that Messrs. Koch and Poole determined that it was worth continuing."

The Koch that *Reason* was thanking for that publication was not Charles, however:

"*Reason* owes a debt of gratitude to David Koch, and APR would not have flourished without his commitment to market-based tools that enable individuals, institutions, and societies to survive

and prosper. It is thanks to Mr. Koch’s vision and support that the Annual Privatization Report has become the nation’s foremost publication on privatization, outsourcing, and government reform.”

This report was issued on the eve of the push by Charles Koch’s Citizens for a Sound Economy, by his operative Richard Fink — and by James Miller, the OMB director Fink had helped win confirmation — to launch the Commission on Privatization. That commission, created by President Reagan, would recommend privatizing the Postal Service and other government functions.

Koch family-controlled foundations have given the Reason Foundation **at least \$3 million** — that is excluding more than a decade of tax filings that are unavailable. That tally also does not include funding from Koch Industries, if any, or from any personal checks from Charles or David Koch. It does not include the amount Charles Koch’s various groups spent on advertising in Reason over the past 40 years.

...

Conclusion

The Postal Service has withstood more than two hundred years of dramatic changes in our country—until its very existence became a target of a billionaire devoted to the theory of privatizing government’s public functions in every way possible.

Americans need a public Postal Service more than ever, with postal workers serving as “essential workers” risking their lives delivering us needed supplies during this crisis and playing a crucial, non-partisan role in delivering ballots so citizens can participate in elections.



Source: National Postal Museum, Smithsonian Institution

The Postal Service has asked Congress for \$75 billion in cash, loans, and grants to help it survive and thrive.

Trump has rebuffed that request and said the Postal Service should charge more, **especially to his enemy Jeff Bezos and Amazon**. In fact, Trump’s 2018 federal budget proposal included privatizing the Postal Service, despite the public’s support for it.

The HEROES Act would fund a portion of the Postal Service’s request to keep it from going bankrupt, but Koch’s groups oppose even that, seeking to achieve his longtime goal of eliminating one of the most trusted of American institutions and one vital to our democracy.

The question is: will the American people stand up to Koch’s radical efforts to defund and destroy one of our most essential public services, wreak havoc on of our economy, and privatize the good jobs of thousands of public servants? Or will we stand up to this billionaire and his bullying, say “NO!”, and punish any politician who toes the Koch party line?